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DAN E. ARNETT
CHIEF OF STAFF

178193

February 28, 2006

VIA HAND DELIVERY

Mr. Charles L.A. Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
101 Executive Center Dr., Suite 100
Columbia, SC 29210

SC PUBLIC SERVICE
COMMISSION

2006 FEB 28 PM 3:01

RECEIVED

Re: Application of Telmex USA, LLC for a Certificate of Public Convenience and Necessity for Authority to Provide Intrastate Telecommunication Services within the State of South Carolina and Request for Alternative Regulations for Its Business Service Offerings and All Calling Card Service Offerings within the State of South Carolina
Docket No. 2005-365-C

Dear Mr. Terreni:

Enclosed for filing please find the original and one (16) copies of the Settlement Agreement in the above referenced matter. Please date stamp the extra copy enclosed and return it to me in the envelope provided.

Please let me know if you have any questions.

Sincerely,


Jeffery M. Nelson

JMN/pjm
Enclosures

cc: Bonnie D. Shealy, Esquire

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2005-365-C

In Re:

**Application of Telmex USA, LLC for)
A Certificate of Public Convenience)
And Necessity to Provide Intrastate)
Telecommunications Services within the)
State of South Carolina and for)
Alternative Regulation of its Business)
Service Offerings and All Calling Card)
Service Offerings within the State of)
South Carolina.)**

SETTLEMENT AGREEMENT

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This Settlement Agreement (“Settlement Agreement”) is made by and among the Office of Regulatory Staff (“ORS”) and Telmex USA, LLC, (“Telmex” or “the Company”) (collectively referred to as the “Parties” or sometimes individually as “Party”);

WHEREAS, on November 22, 2005, Telmex filed its Application requesting a Certificate of Public Convenience and Necessity to provide intrastate telecommunications services within the State of South Carolina and for Alternative Regulations for its business service offerings and all calling card services offerings within the State pursuant to Orders No.95-1734 and 96-55 in Docket No. 95-661-C and as modified by Order No. 2001-997 in Docket No. 2000-407-C;

WHEREAS, on December 16, 2005, the Public Service Commission of South Carolina (“the Commission”) appointed Mr. David Butler as the Hearing Examiner in this matter;

WHEREAS, on February 27, 2006, Telmex pre-filed testimony of Jorge Rodriquez including 1 exhibit with the Commission;

WHEREAS, the Public Service Commission of South Carolina (the “Commission”) scheduled this matter to be heard before Hearing Examiner David Butler on March 27, 2006 at 11:30 am;

WHEREAS, the purpose of this proceeding is to review the application filed by Telmex and its request for a Certificate of Public Convenience and Necessity to provide resold intrastate interexchange communications services and for alternative regulations for its business service offerings and all calling card services in South Carolina;

WHEREAS, since the filing of the notice, ORS has conducted a review of the technical, managerial, and financial expertise of the Company to provide such services;

WHEREAS, ORS has reviewed the Application and the financial data provided by the Company and its parent, and ORS has calculated certain performance ratios based upon information provided by the Company;

WHEREAS, ORS has investigated the services to be offered by Telmex and its intended customer service plans;

WHEREAS, ORS has reviewed the proposed tariffs submitted by Telmex;

WHEREAS, as a result of its investigations, ORS has determined a) Telmex intends to offer telecommunications services such as prepaid calling cards, inbound and outbound services, calling card services, directory assistance, conference services, and private line services; b) the officers of Telmex possess sufficient technical and managerial abilities to adequately provide the services applied for; c) based upon the information provided and the analysis performed, Telmex appears to have access to

sufficient financial resources necessary to provide the services proposed in its application; d) certain revisions should be made to Telmex's proposed tariffs in order to comply with Commission statutes and regulations; e) the services provided by Telmex will meet the service standards required by the Commission; f) the provision of services by the Company will not adversely impact the availability of affordable telecommunications services; g) to the extent it is required to do so by the Commission, Telmex will participate in the support of universally available telephone service at affordable rates; and h) the provision of interexchange services by Telmex will not adversely impact the public interest;

WHEREAS, to ensure compliance with the Commission's statutes and regulations, the Parties have agreed to the following comprehensive settlement of all issues in this docket;

WHEREFORE, in the spirit of compromise, the Parties hereby stipulate and agree to the following terms and conditions:

- 1) The Parties agree that Telmex's Application and exhibits to the Application are incorporated into this Settlement Agreement and made a part hereof;
- 2) The Parties agree to stipulate into the record before the Commission this Settlement Agreement. The Parties also agree to stipulate to the pre-filed testimony and exhibit of Telmex Witness Jorge Rodriquez without cross-examination by ORS;

- 3) Telmex agrees to submit into the record before the Commission revised tariffs in accordance with ORS recommendations as set forth in Exhibit 1 to this Settlement Agreement and incorporated herein;
- 4) Telmex agrees to provide, and has already submitted, financial data which was provided as exhibit 3 to its Application and which is incorporated by reference;
- 5) Telmex agrees to comply with South Carolina Code Section § 58-9-300 entitled "Abandonment of Service." Additionally, Telmex agrees to adhere to the Federal Communication Commission rule 47 C.F.R. § 64.1190 and 64.1130 regarding preferred carrier freezes and the requirement that the form of the written authorization for the institution of the freeze be a separate or easily separable document. Prior to abandonment of service, Telmex shall remove any preferred carrier freeze so as to enable consumers to seamlessly transfer their telephone numbers to another provider;
- 6) On the basis of their stated intent to offer pre-paid services and calling cards Telmex agrees to post a surety bond in the amount of \$5,000.00 with the PSC and to do so prior to the issuance of a certificate of public convenience and necessity by the PSC in this matter.
- 7) The Parties agree that the Company should be granted a Certificate of Public Convenience and Necessity to provide access services and resold interexchange telecommunications services within the state of South Carolina;

- 8) ORS does not oppose the Company's request for waiver of 26 S.C. Code Ann. Regs. 103-610 (location of records and reports) and of any Commission policy or rule requiring a carrier to maintain its financial records in conformance with the Uniform System of Accounts ("USOA");
- 9) ORS does not oppose the Company's request that all of its telecommunications offerings be regulated as described in its application pursuant to the procedures set out in Commission Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C as modified by Commission Order No. 2001-997 in Docket No. 2000-407-C;
- 10) Telmex agrees to resell the services of only those interexchange carriers authorized to do business in South Carolina by the Commission. Telmex agrees to notify ORS and the Commission, in writing, if the Company changes underlying carriers;
- 11) Telmex agrees that the Company will allow an end-user of resold services to access an alternative interexchange carrier or operator service provider if the end-user expresses such a desire;
- 12) The Company agrees to file necessary financial information with the Commission and ORS for universal service fund reporting, annual reporting and/or gross receipts reporting;
- 13) ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10 (B) (added by Act 175). S.C. Code § 58-4-10(B)(1) through (3) read in part as follows:

... 'public interest' means a balancing of the following:

- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) economic development and job attraction and retention in South Carolina; and
- (3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

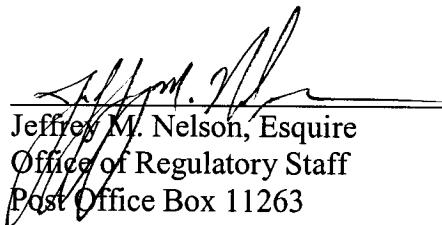
ORS believes the Settlement Agreement reached among the Parties serves the public interest as defined above;

- 14) The Parties agree to advocate that the Commission accept and approve this Settlement Agreement in its entirety as a fair, reasonable and full resolution of all issues in the above-captioned proceeding and to take no action inconsistent with its adoption by the Commission. The Parties further agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.
- 15) The Parties agree that signing this Settlement Agreement will not constrain, inhibit, impair or prejudice their arguments or positions held in other collateral proceedings, nor will it constitute a precedent or evidence of acceptable practice in future proceedings. If the Commission declines to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement in its entirety without penalty or obligation.

- 16) This Settlement Agreement shall be interpreted according to South Carolina law.
- 17) The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by affixing its signature or by authorizing counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and email signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the original signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement. The Parties agree that in the event any Party should fail to indicate its consent to this Settlement Agreement and the terms contained herein, then this Settlement Agreement shall be null and void and will not be binding on any Party.

WE AGREE:

Representing the Office of Regulatory Staff

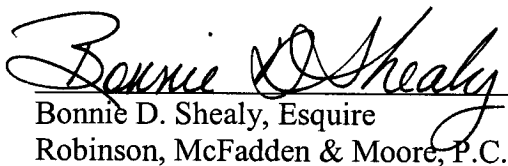


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2/28/06
Date

WE AGREE:

Representing Telmex, Inc.



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Robinson, McFadden & Moore, P.C.
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Post Office Box 944
Columbia, South Carolina 29202
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2/28/06
Date